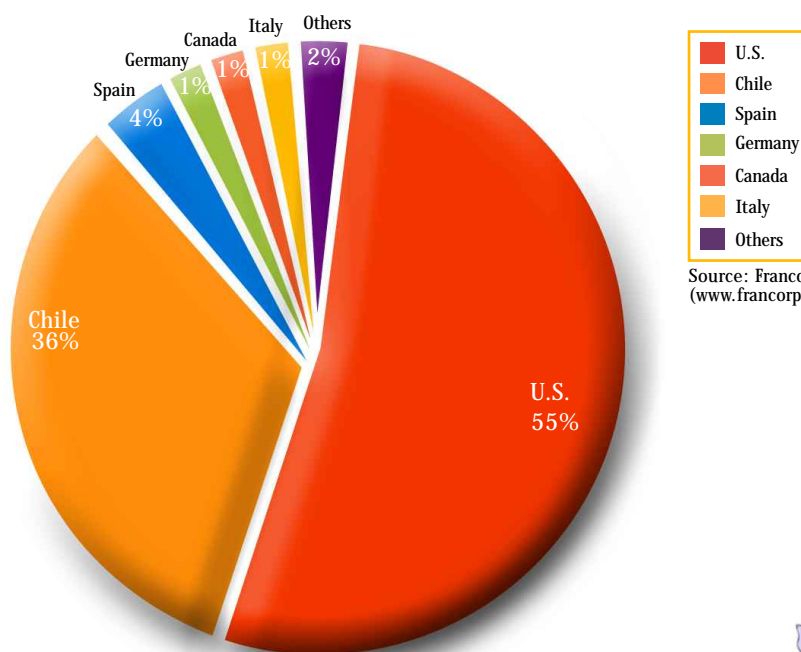


There are approximately 50 franchise businesses operating in Chile today with over 914 locations. This industry sector provides direct employment for 12,500 people and accounts for annual sales of US\$200 million.

Market Overview

- ▶ The first franchise in Chile opened in 1985 and since 1995 the market showed increased activity. During 2003 growth is expected to be 2% and slightly higher for 2004.
- ▶ Franchised companies operating in Chile are subject to local trade laws. The withholding tax on royalties paid abroad is 30%. Sales within Chile are subject to the value-added tax (VAT or "IVA") of 19%, and imported products are subject to VAT + the import tariff (a flat 6% moving to zero on most products due to the US - Chile FTA) with only a few exceptions for certain agricultural and luxury products.
- ▶ Of the 50 franchises, 64% are foreign; 55% are from the U.S., 36% are from Chile (see chart).

Franchising Ownership



Source: Francorp Chile
(www.francorp.com)

U.S. Position

- ▶ Franchise operations of U.S. origin account for 55% of the total Chilean market.
- ▶ Franchising is the 5th leading sector for U.S. exports and investment.
- ▶ The U.S. is a model for Chilean society in technology, convenience, and marketing strategies, and therefore U.S. franchisers are well positioned for entering or expanding their presence in Chile.

U.S. Franchises in Chile include:

Alphagraphic	American Leak Detection	Bennigans	Berlitz
Blockbuster	Burger King	Chuck & Cheese	Coverall
Domino's Pizza	Dunkin Donuts	TGI Friday's	Future Kids
Kentucky Fried Chicken	Mail Boxes	Manpower	Mc Donald's
Pizza Hut	Power House Gym	Radio Shack	Ruby Tuesday
Wall Street Institute	Hush Puppies	Novus Chile	Au Bon Pain
Best Western	Holiday Inn	Taco Bell	New Horizons

Source: Francorp Chile (www.francorp.com)

Competitors

▶ Since this sector's early development in the 1990s, where the majority of franchises were of foreign origin, the trend has been to shift to locally developed franchises. Local franchises have increased their market share from 15% in 1998 to the current 36% participation.



Chilean Franchises

Central Frenos (brake shop)	Cepech (education)	Copec (fuel)	Dimacofi (copy center)	Divesa (discount store)
Schop Dog (fast food)	Lomito'n (fast food)	Doggis (fast food)	Farmacias Cruz Verde (pharmacy)	Fuenzalida Propiedades (real estate)
Rotter & Krauss (optical store)	Sportlife (fitness center)	Tavelli (cafeteria)	Village (greeting cards)	Tattersall (auctions, etc.)

Source: Francorp Chile (www.francorp.com)

▶ Canada: Yogen Frusz (frozen yogurt & ice cream) and Flavor Unlimited (Food)
▶ Europe: Spain: Tele Pizza (Pizza), Spejos (beauty salon), Germany: Hugo Boss (men's clothing), France: 5 A SEC (dry cleaning), Yoplait (Dairy products) Le Fournil (Restaurant), Italy: Benetton (clothing retailer)
▶ Japanese: Benihana (Restaurant), opening in Santiago in December 2003.



Principal Sub Sectors

- ▶ Fast Food
- ▶ Design & Copy Shops
- ▶ Fitness
- ▶ Hotels
- ▶ Dry Cleaning

Commercial Opportunities

Best prospects include franchises that can compete with the sometimes non-existent or often inadequate services provided by small shops and businesses such as:

- ▶ Full-service restaurants
- ▶ Nightclubs
- ▶ Amusement parks
- ▶ Automotive services
- ▶ Cosmetics
- ▶ Repair, maintenance and rental services
- ▶ Cleaning (home and industrial)
- ▶ Clothes
- ▶ Fitness centers
- ▶ Real estate business
- ▶ Childcare
- ▶ Hotels/motels
- ▶ Electronic trade and information technology
- ▶ Education and training
- ▶ Co-branding and multiple-concept centers



Other Resources

- ▶ U.S. Department of Commerce Franchising Team: Sam Dhir: Sam.Dhir@mail.doc.gov
- ▶ U.S. Department of Commerce Trade Development: Raj Dwivedy: RajDwivedy@ita.doc.gov
- ▶ International Franchise Association, Washington D.C., www.franchise.org
- ▶ Francorp (Franchising Consulting Company), Mr. Edmundo Crespo: chile@francorp.com, www.francorp.com
- ▶ Santiago Chamber of Commerce, www.ccs.cl

CONTACT US

We hope that you find this information useful. If you would like further information, please contact mary.lou.lathrop@mail.doc.gov, the CS Santiago Franchising Specialist. Visit our website (www.buyusa.gov/chile) to discover other commercial opportunities in Chile.

This report was produced by Puente Sur Ltd.



www.puente-sur.com

